

Message Text

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INFO OCT-01 ISO-00 /001 R

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DRAFTED BY:S/S:CABORG

APPROVED BY:S/S:CABORG

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FM SECSTATE WASHDC

TO USDEL SECRETARY IMMEDIATE

S E C R E T STATE 156220 TOSEC 050091

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FOL SENT ACTION TO SECSTATE JULY 2, 1975 FROM OECD PARIS

QUOTE S E C R E T OECD PARIS 17130

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E. O. 11652: GDS

TAGS: ENRG, OECD

SUBJECT: IEA: GOVERNING BOARD MEETING JUNE 30-JULY 2

EYES ONLY FOR THE SECRETARY FROM ENDERS

1. IN TOUGH MEETING, IEA FIRST RECOILED AT ALTERNATE SOURCES DECISIONS, THEN MANAGED TO MAKE SOME PROGRESS TOWARDS THEM: (A) BY NARROWING OPTIONS ON MINIMUM SAFEGUARD PRICE (MSP) SYSTEM; AND (B) BY STRUCTURING IN DETAIL GLOBAL PACKAGE INCLUDING R&D, CONSERVATION, MSP, FOR DECISION DECEMBER 01. JAPAN, ITALY, SWEDEN EXPRESSED STRONG RESERVATION ON MSP, BUT

ACCEPTED PACKAGE APPROACH. ALL OTHERS SUPPORTED MSP

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EITHER FOR REASONS OF ECONOMIC INTEREST (BRITAIN,

CANADA, NORWAY, NETHERLANDS), OR BECAUSE OF FELT NEED TO HAVE A SERIOUS ALTERNATIVE SOURCES POLICY AT TIME WHEN OPEC HAS FREE HAND TO RAISE OIL PRICES (GERMANY).

2. ON MSP LEVELS, BRITISH, NORWEGIANS AND DANES CAME IN AT \$7 TO 9 CIF, U.S. AT \$6 TO 8, AND GERMANY \$5 TO 6. HOWEVER, GERMANS TOLD ME PRIVATELY THAT WHEN WE MAKE THE FINAL DEAL THEY CAN GO UP A DOLLAR OR MORE. LEVEL OF PROTECTION APPEARS LESS SENSITIVE THAN ORIGINALLY BELIEVED.

3. IEA FORMALLY CONFIRMED AND MADE PUBLIC ITS POSITION ON RELAUNCHING THE DIALOGUE, WHICH IN ALL OPERATIVE RESPECTS IS IDENTICAL WITH OURS.

4. COMMENT: RESULT OF MEETING IS TO PUT U.S. DOMESTIC AND IEA TIMETABLES FOR MSP IN PHASE, SINCE WE WILL BE READY TO DEAL WITH THIS ISSUE ONLY AFTER THE RESULTS OF THE OIL DECONTROL FIGHT ARE KNOWN.

I CANNOT FOR THE PRESENT PREDICT WHETHER OR NOT WE WILL BE ABLE TO BRING OFF A SERIOUS IEA ALTERNATIVE SOURCES POLICY. THERE ARE MAJOR OBSTACLES: STRONG POLITICAL RESISTANCE IN JAPAN AND ITALY, THE LOSS OF U.S. ENERGY CREDIBILITY AS A RESULT OF THE DEADLOCK WITH CONGRESS (WHICH HAS, IN PARTICULAR, INTENSIFIED THE JAPANESE FOOT-DRAGGING ON THE MSP), THE LOSS OF THE LEVERAGE OF THE PRODUCER/CONSUMER DIALOGUE AS HOPES FOR OIL TALKS WITH OPEC DIM AND THE U.S. MOVES INTO THE LEAD IN NORTH/SOUTH DIPLOMACY. WE DO HAVE SOME BARGAINING POWER: A WIDELY FELT AND GROWING DESIRE TO ARM AGAINST OPEC, THE CONSEQUENT NEED FOR SOLIDARITY, AN UNDERLYING ANXIETY THAT THE U.S. WILL GO BILATERAL.

MY STRATEGY IS TO TRY TO MANEUVER THE IEA INTO A STRAIGHT UP OR DOWN VOTE ON ALL THE SUBSTANTIVE ISSUES BY YEAR-END, IN THE HOPE THE JAPANESE AND ITALIANS WON'T HAVE THE GUTS TO BREAK RANKS. IF OPEC IS BLOODY-MINDED AND PUTS THE PRICE UP A LOT IN SEPTEMBER, THIS APPROACH

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HAS A FAIR CHANCE OF SUCCEEDING. BUT TO MAKE IT WORK WE HAVE TO BE SEEN TO BE READY TO BREAK OUT OF ALL NEW IEA COMMITMENTS AND GO IT ALONE. I AM PREPARED TO TAKE THAT POSITION BECAUSE IEA WILL BE A PAPER ORGANIZATION UNLESS IT DOES MAKE PROGRESS IN THESE FIELDS; IT WILL BE SO PERCEIVED (THAT IS ALREADY A DANGER, AND FAILURE TO MEET OUR JULY 01 DEADLINE FOR ALTERNATIVE SOURCES DOESN'T HELP), AND THUS OF LESS UTILITY TO US THAN

HERETOFORE.

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, POLICIES, TOSEC, CAT-B, MEETING PROCEEDINGS, PRICES
Control Number: n/a
Copy: SINGLE
Draft Date: 02 JUL 1975
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE156220
Document Source: CORE
Document Unique ID: 00
Drafter: S/S:CABORG
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: n/a
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 2
Legacy Key: link1975/newtext/t19750790/aaaaddax.tel
Line Count: 117
Locator: TEXT ON-LINE
Office: ORIGIN NODS
Original Classification: SECRET
Original Handling Restrictions: NODIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: SECRET
Previous Handling Restrictions: NODIS
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 14 MAY 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <14 MAY 2003 by ShawDG>; APPROVED <03 OCT 2003 by CunninFX>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: LOCK1
Status: NATIVE
Subject: IEA: GOVERNING BOARD MEETING JUNE 30-JULY 2 EYES ONLY FOR THE SECRETARY FROM ENDERS
TAGS: ENRG, US, OECD, IEA
To: SECRETARY
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006